

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Deerfield	<b>County</b> Isabella
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> July 15, 2004	<b>Date Accountant Report Submitted to State:</b> July 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

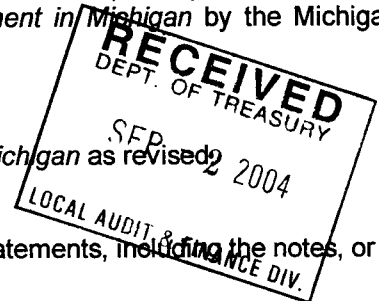
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			



TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

July 15, 2004

To the Township Board  
Township of Deerfield  
Isabella County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Deerfield, Isabella County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Akron's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Deerfield, Isabella County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Deerfield, Isabella County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	760 524 48	46 715 30	1 307 18
Due from other funds	1 307 18	-	-
Land	-	-	-
Buildings	-	-	-
Equipment	-	-	-
Total Assets	<u>761 831 66</u>	<u>46 715 30</u>	<u>1 307 18</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	5 033 70	-	1 307 18
Due to other funds	-	-	-
Total liabilities	<u>5 033 70</u>	<u>-</u>	<u>1 307 18</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>756 797 96</u>	<u>46 715 30</u>	<u>-</u>
Total fund equity	<u>756 797 96</u>	<u>46 715 30</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>761 831 66</u>	<u>46 715 30</u>	<u>1 307 18</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	808 546 96
-	1 307 18
70 660 00	70 660 00
373 588 00	373 588 00
<u>493 326 91</u>	<u>493 326 91</u>
<u>937 574 91</u>	<u>1 747 429 05</u>
-	5 033 70
-	1 307 18
<u>-</u>	<u>6 340 88</u>
937 574 91	937 574 91
-	803 513 26
<u>937 574 91</u>	<u>1 741 088 17</u>
<u>937 574 91</u>	<u>1 747 429 05</u>

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B  
Year Ended March 31, 2004 Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	78 201 51	78 201 51	156 403 02
Licenses and permits	-	1 747 50	1 747 50
State revenue sharing	217 682 00	-	217 682 00
Charges for services:			
Fire	-	2 150 00	2 150 00
Cemetery	900 00	-	900 00
Interest	6 565 14	347 77	6 912 91
Rent	17 155 00	-	17 155 00
Miscellaneous	89 988 46	2 302 15	92 290 61
Total revenues	<u>410 492 11</u>	<u>84 748 93</u>	<u>495 241 04</u>
Expenditures:			
Legislative:			
Township Board	10 254 69	-	10 254 69
General government:			
Supervisor	27 450 00	-	27 450 00
Elections	569 18	-	569 18
Accounting	1 458 00	-	1 458 00
Audit	1 550 00	-	1 550 00
Attorney	396 00	-	396 00
Assessor	1 061 58	-	1 061 58
Clerk	12 440 08	-	12 440 08
Board of Review	1 462 57	-	1 462 57
Treasurer	15 402 16	-	15 402 16
Building and grounds	28 301 60	-	28 301 60
Cemetery	1 690 00	-	1 690 00
Public safety:			
Fire protection	-	112 590 07	112 590 07
Ambulance	4 300 00	-	4 300 00
Planning and zoning	3 145 41	4 892 19	8 037 60
Public works:			
Drains at large	1 088 22	-	1 088 22
Highways and streets	227 615 87	-	227 615 87

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B  
Year Ended March 31, 2004 Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Other:			
Insurance	6 808 00	-	6 808 00
Pension	5 910 99	-	5 910 99
Payroll taxes	5 485 71	-	5 485 71
Capital outlay	<u>1 891 73</u>	<u>15 006 18</u>	<u>16 897 91</u>
Total expenditures	<u>358 281 79</u>	<u>132 488 44</u>	<u>490 770 23</u>
Excess (deficiency) of revenues over expenditures	<u>52 210 32</u>	<u>(47 739 51)</u>	<u>4 470 81</u>
Other financing sources (uses):			
Operating transfers in	-	35 000 00	35 000 00
Operating transfers out	<u>(35 000 00)</u>	<u>-</u>	<u>(35 000 00)</u>
Total other financing sources (uses)	<u>(35 000 00)</u>	<u>35 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	17 210 32	(12 739 51)	4 470 81
Fund balances, April 1	<u>739 587 64</u>	<u>59 454 81</u>	<u>799 042 45</u>
Fund Balances, March 31	<u><u>756 797 96</u></u>	<u><u>46 715 30</u></u>	<u><u>803 513 26</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL FUND AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	76 000 00	78 201 51	2 201 51
Licenses and permits	-	-	-
State revenue sharing	220 000 00	217 682 00	(2 318 00)
Charges for services:			
Fire	-	-	-
Cemetery	-	900 00	900 00
Interest	8 000 00	6 565 14	(1 434 86)
Rent	15 000 00	17 155 00	2 155 00
Miscellaneous	<u>72 000 00</u>	<u>89 988 46</u>	<u>17 988 46</u>
Total revenues	<u>391 000 00</u>	<u>410 492 11</u>	<u>19 492 11</u>
Expenditures:			
Legislative:			
Township Board	15 000 00	10 254 69	(4 745 31)
General government:			
Supervisor	19 000 00	27 450 00	8 450 00
Elections	16 000 00	569 18	(15 430 82)
Accounting	3 750 00	1 458 00	(2 292 00)
Audit	3 750 00	1 550 00	(2 200 00)
Attorney	4 000 00	396 00	(3 604 00)
Assessor	20 000 00	1 061 58	(18 938 42)
Clerk	16 000 00	12 440 08	(3 559 92)
Board of Review	3 500 00	1 462 57	(2 037 43)
Treasurer	21 000 00	15 402 16	(5 597 84)
Building and grounds	185 000 00	28 301 60	(156 698 40)
Cemetery	80 000 00	1 690 00	(78 310 00)
Public safety:			
Fire protection	-	-	-
Ambulance	45 000 00	4 300 00	(40 700 00)
Planning and zoning	8 500 00	3 145 41	(5 354 59)
Public works:			
Drains at large	1 500 00	1 088 22	(411 78)
Highways and streets	<u>580 000 00</u>	<u>227 615 87</u>	<u>(352 384 13)</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
75 000 00	78 201 51	3 201 51
1 875 00	1 747 50	(127 50)
-	-	-
1 500 00	2 150 00	650 00
-	-	-
-	-	-
600 00	347 77	(252 23)
<u>1 380 00</u>	<u>2 302 15</u>	<u>922 15</u>
<u>80 355 00</u>	<u>84 748 93</u>	<u>4 393 93</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
78 480 00	112 590 07	34 110 07
-	-	-
8 950 00	4 892 19	(4 057 81)
-	-	-
-	-	-

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL FUND AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Other:			
Insurance	12 000 00	6 808 00	(5 192 00)
Pension	10 000 00	5 910 99	(4 089 01)
Payroll taxes	13 000 00	5 485 71	(7 514 29)
Contingency	12 000 00	-	(12 000 00)
Capital outlay	2 000 00	1 891 73	(108 27)
Total expenditures	<u>1 071 000 00</u>	<u>358 281 79</u>	<u>(712 718 21)</u>
Excess (deficiency) of revenues over expenditures	<u>(680 000 00)</u>	<u>52 210 32</u>	<u>732 210 32</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>(35 000 00)</u>	<u>(35 000 00)</u>
Total other financing sources (uses)	<u>-</u>	<u>(35 000 00)</u>	<u>(35 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(680 000 00)	17 210 32	697 210 32
Fund balances, April 1	<u>720 000 00</u>	<u>739 587 64</u>	<u>19 587 64</u>
Fund Balances, March 31	<u>40 000 00</u>	<u>756 797 96</u>	<u>716 797 96</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	15 006 18	15 006 18
87 430 00	132 488 44	45 058 44
(7 075 00)	(47 739 51)	(40 664 51)
7 000 00	35 000 00	28 000 00
-	-	-
7 000 00	35 000 00	28 000 00
(75 00)	(12 739 51)	(12 664 51)
575 81	59 454 81	58 879 00
500 81	46 715 30	46 214 49

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Deerfield, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Deerfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.9684 mills and the taxable value was \$79,695,810.00.

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds are recorded as expenditures in the respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time received. No depreciation has been provided on these general fixed assets.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

The Township of Akron does not accumulate vacation and sick pay and therefore no accrued amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to retirees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated six banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>808 546 96</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	576 248 47
Uninsured and Uncollateralized	<u>236 810 22</u>
Total Deposits	<u>813 058 69</u>

The Township of Deerfield did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	70 660 00	-	-	70 660 00
Buildings	373 588 00	-	-	373 588 00
Equipment	<u>476 429 00</u>	<u>16 897 91</u>	<u>-</u>	<u>493 326 91</u>
Totals	<u>920 677 00</u>	<u>16 897 91</u>	<u>-</u>	<u>937 574 91</u>

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**Note 4 – Joint Authority – Joint Construction Code Authority**

Deerfield Township participates in a joint authority with Nottawa, Rolland, Fremont, and Sherman Townships in the Joint Construction Code Authority, which is established as a distinct and separate entity. This is set up specifically to administer and enforce the building and construction codes adopted by each of the participating local units of government; to set, collect, and deposit fees for permits and inspections; and to hire sufficient building inspectors. Five townships participated in the fund at March 31, 2004.

The Township made no contributions to the Authority for the past fiscal year. The fund was established with donated funds and currently continues with its own revenues and additional donations. If the fund should experience a budgeted shortfall, each of the participated townships is responsible for submitting funds to cover that shortfall.

Audited Financial information for the Joint Construction Code Authority for the year ended March 31, 2004, is as follows:

Total Assets	\$10,358
Cash Basis Fund Balance	10,358
Excess Revenue Over (Under) Expenditures	2,034

**Note 5 – Budget Variances**

During the fiscal year ended March 31, 2004, Township expenditures exceeded budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Fire Fund			
Activity:			
Fire protection	78 480 00	112 590 07	34 110 07
Capital outlay	-	15 006 18	15 006 18
General Fund			
Activity:			
Supervisor	19 000 00	27 450 00	8 450 00

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 6 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 307 18</u>	Current Tax Collection	<u>1 307 18</u>
Total	<u>1 307 18</u>	Total	<u>1 307 18</u>

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Pension Plan

The Township has a defined contribution pension plan that is available for all Township employees. The Township's net pension expense for the fiscal year was \$5,910.99

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

The Township does not issue building permits. Building permits are issued by the Joint Construction Code Authority.

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Salaries	7 500 00
Dues	1 777 24
Miscellaneous	<u>977 45</u>
	<u>10 254 69</u>
Supervisor:	
Salary	<u>27 450 00</u>
Elections:	
Salaries and wages	552 00
Miscellaneous	<u>17 18</u>
	<u>569 18</u>
Accounting	<u>1 458 00</u>
Audit	<u>1 550 00</u>
Attorney	<u>396 00</u>
Assessor:	
Contracted services	420 00
Miscellaneous	<u>641 58</u>
	<u>1 061 58</u>
Clerk:	
Salary	11 600 00
Operating supplies	455 90
Miscellaneous	<u>384 18</u>
	<u>12 440 08</u>
Board of Review:	
Wages	1 255 45
Miscellaneous	<u>207 12</u>
	<u>1 462 57</u>
Treasurer:	
Salary	13 750 00
Operating supplies	1 006 06
Contracted services	640 10
Miscellaneous	<u>6 00</u>
	<u>15 402 16</u>

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Building and grounds:	
Operating supplies	1 013 79
Contracted services	19 161 15
Utilities	6 647 25
Repairs and maintenance	953 96
Miscellaneous	<u>525 45</u>
	<u>28 301 60</u>
Cemetery:	
Contracted services	<u>1 690 00</u>
Ambulance:	
Contracted services	<u>4 300 00</u>
Planning and zoning:	
Printing and publishing	734 53
Education	2 160 88
Miscellaneous	<u>250 00</u>
	<u>3 145 41</u>
Drains at large:	
Contracted services	<u>1 088 22</u>
Highways and streets:	
Contracted services	225 257 46
Street lighting	<u>2 358 41</u>
	<u>227 615 87</u>
Insurance	<u>6 808 00</u>
Pension	<u>5 910 99</u>
Payroll taxes	<u>5 485 71</u>
Capital outlay	<u>1 891 73</u>
Total Expenditures	<u><u>358 281 79</u></u>

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2004

EXHIBIT E

	<u>Planning and Zoning</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	<u>1 425 12</u>	<u>45 290 18</u>	<u>46 715 30</u>
Total Assets	<u>1 425 12</u>	<u>45 290 18</u>	<u>46 715 30</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>1 425 12</u>	<u>45 290 18</u>	<u>46 715 30</u>
Total fund balances	<u>1 425 12</u>	<u>45 290 18</u>	<u>46 715 30</u>
Total Liabilities and Fund Balances	<u>1 425 12</u>	<u>45 290 18</u>	<u>46 715 30</u>

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT F

	Planning and Zoning	Fire	Total
Revenues:			
Property tax	-	78 201 51	78 201 51
Licenses and permits	1 747 50	-	1 747 50
Charges for services – Townships	-	2 150 00	2 150 00
Interest	-	347 77	347 77
Miscellaneous	-	2 302 15	2 302 15
Total revenues	1 747 50	83 001 43	84 748 93
Expenditures:			
Public safety:			
Fire:			
Salaries and wages	-	34 658 49	34 658 49
Payroll taxes	-	2 651 37	2 651 37
Supplies	-	44 166 20	44 166 20
Repairs and maintenance	-	11 117 23	11 117 23
Education and training	-	3 936 92	3 936 92
Insurance	-	13 907 52	13 907 52
Miscellaneous	-	2 152 34	2 152 34
Capital outlay	-	15 006 18	15 006 18
Planning and zoning:			
Wages	1 275 00	-	1 275 00
Contracted services	2 882 00	-	2 882 00
Supplies	410 15	-	410 15
Miscellaneous	325 04	-	325 04
Total expenditures	4 892 19	127 596 25	132 488 44
Excess (deficiency) of revenues over expenditures	(3 144 69)	(44 594 82)	(47 739 51)
Other financing sources (uses):			
Operating transfers in	4 000 00	31 000 00	35 000 00
Total other financing sources (uses)	4 000 00	31 000 00	35 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	855 31	(13 594 82)	(12 739 51)
Fund balances, April 1	569 81	58 885 00	59 454 81
Fund Balances, March 31	1 425 12	45 290 18	46 715 30

TOWNSHIP OF DEERFIELD  
Isabella County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>6 468 83</u>	<u>2 473 902 22</u>	<u>2 479 063 87</u>	<u>1 307 18</u>
<u>Liabilities</u>				
Due to other funds	6 468 83	157 171 16	162 332 81	1 307 18
Due to others	<u>-</u>	<u>2 316 731 06</u>	<u>2 316 731 06</u>	<u>-</u>
Total Liabilities	<u>6 468 83</u>	<u>2 473 902 22</u>	<u>2 479 063 87</u>	<u>1 307 18</u>



# **CAMPBELL, KUSTERER & CO., P.C.**

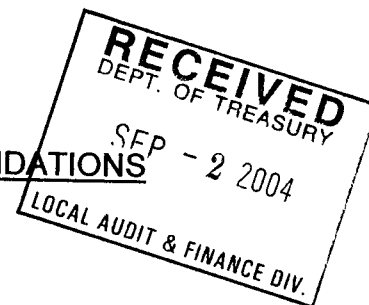
CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
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BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**



July 15, 2004

To the Township Board  
Township of Deerfield  
Isabella County, Michigan

We have audited the financial statements of the Township of Deerfield, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Deerfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Deerfield  
Isabella County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to , 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Deerfield  
Isabella County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Deerfield will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants